

VZCZCXRO4222  
RR RUEHIK RUEHYG  
DE RUEHBUL #1201/01 0780934  
ZNR UUUUU ZZH  
R 190934Z MAR 06  
FM AMEMBASSY KABUL  
TO RUEHC/SECSTATE WASHDC 8992  
INFO RUEHZG/NATO EU COLLECTIVE  
RUEHNE/AMEMBASSY NEW DELHI 6840  
RUEHIL/AMEMBASSY ISLAMABAD 2975  
RUEHDBU/AMEMBASSY DUSHANBE 0149  
RUEHEK/AMEMBASSY BISHKEK 4711  
RUEHNT/AMEMBASSY TASHKENT 6816  
RUEHTA/AMEMBASSY ALMATY 5172  
RUEHAH/AMEMBASSY ASHGABAT 5613  
RUEKJCS/OSD WASHDC  
RUEKJCS/JOINT STAFF WASHDC  
RHMFISS/CDR USCENCOM MACDILL AFB FL  
RUCNDT/USMISSION USUN NEW YORK 2327  
RUEHGV/USMISSION GENEVA 5696  
RUEHUNV/USMISSION UNVIE VIENNA 1169  
RUEATRS/DEPT OF TREASURY WASHDC  
RHEHAAA/NSC WASHDC  
RUEAIIA/CIA WASHDC  
RHEFDIA/DIA WASHDC  
RUCPDOG/DEPT OF COMMERCE WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS SECTION 01 OF 04 KABUL 001201

SIPDIS

DEPARTMENT FOR SA/FO, SA/A, EB  
TREASURY FOR PARAMESWARAN  
NSC FOR AHARRIMAN, KAMEND  
CJTF-76 FOR POLAD, CENTCOM FOR CG CFC-A  
COMMERCE FOR AADLER, JNELHYBEL, SHAMROCK

SENSITIVE  
SIPDIS

E.O.12958: N/A  
TAGS: [ECPS](#) [EINV](#) [ECON](#) [PREL](#) [OPIC](#) [EAID](#) [PGOV](#) [AF](#)  
SUBJECT: Afghanistan: Ambassador Gross Promotes  
Transparent, Competitive Telecom/ICT Sector Growth

REF: (A) Kabul 497 (NOTAL)  
(B) 05 Kabul 3803  
(C) 05 Kabul 3728

KABUL 00001201 001.2 OF 004

8

1. (U) Summary: Ambassador David Gross, U.S. Coordinator for International Communications and Information Policy visited Afghanistan February 25-27, 2006 to meet with senior Afghan government officials, including Vice President Massoud and the newly created Parliamentary Committee on Communications, as well as private sector representatives in the information and communications technologies (ICT) sector. During his visit, Ambassador Gross emphasized the importance of private investment to the development of the telecom sector and the need for the GoA to be consistent and transparent in its policies in order to encourage further investment. He offered continued USG cooperation with the Ministry of Communications and assistance in obtaining technical support and/or training from countries such as India and multilateral organizations such as the International Telecommunication Union. End summary.

-----  
Minister of Communications  
-----

2. (U) Ambassador Gross and Robert Watts of EB/CIP/BA met

with Minister of Communications Amirzai Sangin, whom Ambassador Gross had met at the World Summit on the Information Society in Tunis earlier in February. Sangin was upbeat about the progress of the Afghan telecommunications sector and praised USG assistance in this area, especially for the District Communications Network, which is bringing telephone, internet and fax service to almost 350 villages in Afghanistan (Ref B) and for technical assistance in the creation of the independent Afghanistan Telecommunications Regulatory Authority (ATRA.) (Note: Both initiatives are being funded by USAID. End note.)

¶3. (U) Sangin also appreciated U.S. Trade and Development Agency (USTDA) assistance on the GoAs fiber optic ring project (Ref B) which included approximately USD 500,000 in funding for a feasibility study and technical assistance in preparation of the project bid package. The Ministry asked for USTDAs further help in monitoring project

t  
implementation. Sangin noted that the GOA is still evaluating bids for the award of the tender, but plans to move forward on the first phase shortly. Sangin hopes that the completion of the ring will allow Afghanistan to be a transit point for regional telecom traffic and enable widespread domestic broadband ICT connectivity that would otherwise not be available.

¶4. (SBU) Ambassador Gross stressed the need to maintain transparency in the award process for the ring project. He also emphasized the need to put to good use the Telecom Development Fund (TDF) the Ministry has created through a 2.5 percent levy on the net revenue of private sector mobile service providers, which already totals \$5 million. (Note: Companies contributing to the fund have voiced

KABUL 00001201 002.2 OF 004

concern that it has sat unused and could be a magnet for corruption within the Ministry. End note.) Ambassador Gross suggested that this fund could be used for expansion of rural access to telecommunications, which is a Ministry priority.

¶5. (U) Minister Sangin welcomed past support from the International Telecommunications Union (ITU) and agreed to work with Ambassador Gross at the World Telecommunications Development Conference in Doha March 7-15 to seek continued support from the ITU for capacity building. Ambassador Gross suggested developing a partnership between ATRA and the well-run Telecom Regulatory Authority of India, which the Indian Government has shown an interest in. Ambassador Gross also noted the training opportunities for Ministry staff being provided through the U.S. Telecommunications Training Institute.

-----  
ATRA  
-----

¶6. (SBU) Ambassador Gross visited the operations of the Telecommunications Regulatory Board, which will formally become ATRA on March 21, and met with its newly appointed members. ATRA has 75 employees and is hiring 30 more to manage spectrum and licenses for Afghanistan's telephone network, wireless providers, 150 FM stations and 50 TV stations. It will also set regulatory policy and will therefore have a substantive impact on the growth of the telecom sector (Ref A.)

-----  
AfghanTel  
-----

¶7. (U) Ambassador Gross met with Jamal Noorzai, CEO of State-owned AfghanTel, which runs the District and Government Communications Networks and provides fixed line

telephone service (Ref B.) As of January 10, full mobility of service has been authorized for its previously limited wireless local loop networks and AfghanTel is busy developing its network in preparation for a full roll-out. AfghanTel was corporatized in September 2005, the first step on the road to privatization. Ambassador Gross stressed the need for a transparent, competitive sales process in order to ensure that the GOA receives maximum revenue for the company.

-----  
First Vice President Zia Massoud  
-----

¶8. (SBU) Ambassador Gross met with First VP Zia Massoud, accompanied by Ambassador Neumann. While Massoud voiced support for free market principles, he expressed frustration with still-poor ICT services in remote areas. He reported that he had recently met with UAE state telecom monopoly Etisalat, which has offered \$300 million to acquire AfghanTel and promised to expand service to the entire country. Ambassador Gross warned that if the long planned sale is not conducted by an open competitive bidding process, the GOA will likely forgo significant revenue, questions would be raised about transparency that

KABUL 00001201 003.2 OF 004

could damage the confidence of other potential investors in the sector, and the public confidence in the GoAs broader state-owned enterprise privatization process would suffer. (Note: Ref A notes

-----  
National Assembly Communications Committee  
-----

¶9. (U) Ambassador Gross met with the newly formed Meshrano Jirga (lower house) Communications Committee of the Afghan National Assembly, chaired by Khalid Farooqi. The hour long exchange was lively; some committee members clearly understood the role of competition in ensuring quality service and low prices for consumers, while others, including Vice Chair Kohi, called for an entirely state-run system. Ambassador Gross emphasized that private sector competition is the best way to foster competition and that a properly used TDF could be used to help subsidize service to remote areas. He also stressed the need for cooperation between the Committee and the rest of the GOA in building communications systems so that members can communicate with constituents.

-----  
Ministry of Women's Affairs  
-----

¶10. (U) Ambassador Gross toured the Cisco Networking Academy at the Ministry of Women's Affairs and met with Minister Dr. Masouda Jalal. Cisco has set up three Networking Academies in Kabul through a Global Development Alliance with USAID. Women account for 32 percent of the 1000 students enrolled annually country-wide. Ambassador Gross visit to the academy and talk with the students was widely covered by the Afghan media.

-----  
Private Sector Players  
-----

¶11. (U) Finally, Ambassador Gross had the opportunity to meet with U.S. private sector players involved in ICT in Afghanistan. Roshan CEO Karim Kojia gave a readout on private sector concerns with GOA policies. Roshan and competitor AWCC, both mobile service providers with U.S. equity (Ref C,) have jointly protested what they feel is excessive GOA telecom (or ICT) sector-specific taxation. Their tax burden currently includes a Business Receipts Tax

(BRT) that is ten percent of net revenue, a licensing fee of an additional ten percent and a TDF fee of 2.5 percent. The companies are negotiating a joint settlement that would cap their tax burden at 14.5 percent. Koja also emphasized private sector concerns with the privatization of AfghanTel, which both Roshan and AWCC insist must result in the settlement of AfghanTel's contractual interconnection liabilities to the private operators, estimated at USD 5-7 million. Both companies also emphasized that if AfghanTel is licensed as a mobile operator, it should be treated equally to the private sector licensees.

¶12. (SBU) COMMENT: Ambassador Gross visit and message of support for private sector investment and transparent, competitive GOA policies in ICT was timely. The well-

KABUL 00001201 004.2 OF 004

managed Ministry of Communications, under the leadership of technocrat Sangin, has recently come under pressure by GoA interests who believe that mobile telecom providers are earning excessive profits or who see transparent privatization tender discipline as limiting opportunities for rent seeking and corruption (Ref A.) Post welcomes follow-up by EB/CIP/BA on promised support to the GoA and will continue to encourage the GoA to be consistent and transparent in its telecom and ICT policies in order to promote further investment in this dynamic sector of the Afghan economy.

Norland